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EXCESSIVE DEFICIT PROCEDURE REPORT, REPUBLIC OF CROATIA, APRIL 2024

The Croatian Bureau of Statistics issues the general government deficit and debt data based on the figures reported in the Excessive Deficit Procedure Report (the April Notification) for the period from 2020 to 2023 according to the European System of National and Regional Accounts (ESA 2010) methodology and the Manual on Government Deficit and Debt.

The fiscal surveillance of the European Union over the Member States is based on the Excessive Deficit Procedure Report. The Maastricht Treaty defines two main criteria of the fiscal surveillance: a deficit-to-GDP ratio and a debt-to-GDP ratio must not exceed the reference values of 3% and 60%, respectively.

This EDP Report is submitted to the European Commission (Eurostat) twice a year – at the end of March (the so-called April Notification) and the end of September (the October Notification). The EDP Report refers to the last four-year period and for the current year in which current-year data are based on the Ministry of Finance forecast. National statistical offices are obliged to publish the EDP Report on their web sites.

In 2023, the consolidated general government deficit amounted to -528 million euro, or 0.7% of GDP, while in 2022, the surplus amounted to 88 million euro, or 0.1% of GDP. In 2021, the deficit amounted to -1 486 million euro, or 2.5% of GDP, while in 2020, the deficit was -3 687 million euro, or 7.2% of GDP.

The consolidated debt at the end of 2023 amounted to 48 191 million euro, or 63.0% of GDP, while in 2022, it amounted to 46 346 million euro, or 67.8% of GDP. In 2021, the debt amounted to 45 629 million euro, or 77.5% of GDP, while in 2020, it was 43 882 million euro, or 86.1% of GDP.

The achieved working balance of the State Budget in the amount of 765 million euro, or 1.0% of GDP, which is 463 million euro less compared to the previous year, had a big impact on the deficit amount in 2023.

After a surplus in 2022, in 2023 there is a trend of a noticeable increase in both revenue and expenditure of the government sector, but the expenditure still records growth at a higher rate. It was mostly influenced by the increase in gross fixed capital formation, social benefits in cash with social transfers in kind, paid interest, compensation of employees and paid subsidies, even though the effect was mitigated by the growth of tax revenues. The measures introduced in 2022 due to the increase in energy prices continued to be applied in 2023 and mainly have an impact on the increase in paid subsidies on products and social assistance benefits paid to unemployed persons and pensioners. As regards the income of the general government sector, the measures had a negative impact on tax revenues due to the reduction of VAT and excise duties on energy products in 2022 and the reduction of excise duties on energy products in 2023, while the amount of income and wealth taxes in 2022 was positively affected by the additional profit tax.

In 2023, taxes on production and import were collected in the amount of 14 994 million euro, which was an increase of 15.8% compared to 2022, while the current taxes on income and wealth were collected in the amount of 5 749 million euro, which was 16.7% higher than in the previous year. Furthermore, net social contribution revenues in 2023 amounted to 8 371 million euro, which was 14.4% more than in 2022.

National accounts data on taxes and social contributions are data on government cash receipts adjusted to the ESA concepts in a way that the time-adjusted cash (TAC) method is implemented.

Furthermore, an increase in investments was recorded, amounting to 4 152 million euro in 2023, which was 62.0% higher than in 2022. Payments for guarantees called, debt assumptions and capital injections in 2023 amounted to 80 million euro, which influenced the generation of deficit as well as the inclusion of stimulating housing expenditures.

In 2023, paid interests amounted to 1 294 million euro, which was an increase of 39.1% compared to 2022, when they amounted to 930 million euro.

Compared to October 2023 Notification, the government deficit/surplus for 2020, 2021 and 2022 has been revised. The revision showed that in 2020 the deficit was 1.2 million euro lower, in 2021 the deficit was 25.5 million euro higher, while in 2022 the surplus was 12.7 million euro higher. The aforementioned revisions resulted mainly from the updating of data sources, revising the recording of property income and other methodological changes.

Additionally, in accordance with the Manual on Government Deficit and Debt, there were no changes in the general government coverage in April 2024 Notification in terms of the inclusion of units from other sectors based on qualitative and quantitative criteria.

In 2023, the primary surplus of the general government amounted to 765 million euro, or 1.0% of GDP, which was 463 million euro less than in 2022.

The level of the consolidated general government debt (the so-called Maastricht debt) amounted to 48 191 million euro at the end of 2023, which was 1 845 million euro, or 4.0%, higher than at the end of 2022, which is almost entirely related to net borrowing. With the introduction of the euro as the domestic currency, the change in the general government debt due to exchange rate changes is negligible.

The trend of decreasing share of the Maastricht debt in GDP that started in 2014, with the exception of growth in 2020 due to the crisis caused by the COVID-19 pandemic, continued in 2023. The share of the consolidated general government debt in GDP was 63.0% at the end of 2023, which was a decrease of 4.8 percentage points compared to the debt-to-GDP ratio at the end of 2022, when it amounted to 67.8% of GDP.

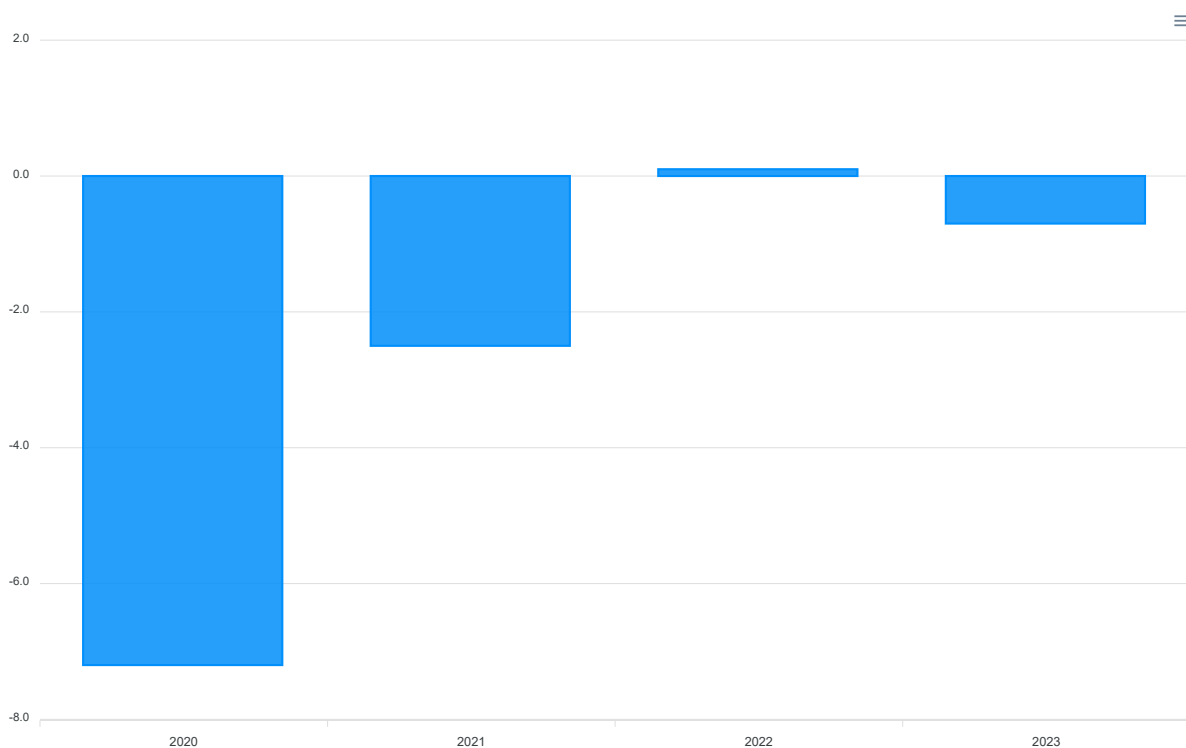
[EDP excel tables can be downloaded here.](#)

[Excel table with data on the main aggregates of the general government sector can be downloaded here.](#)

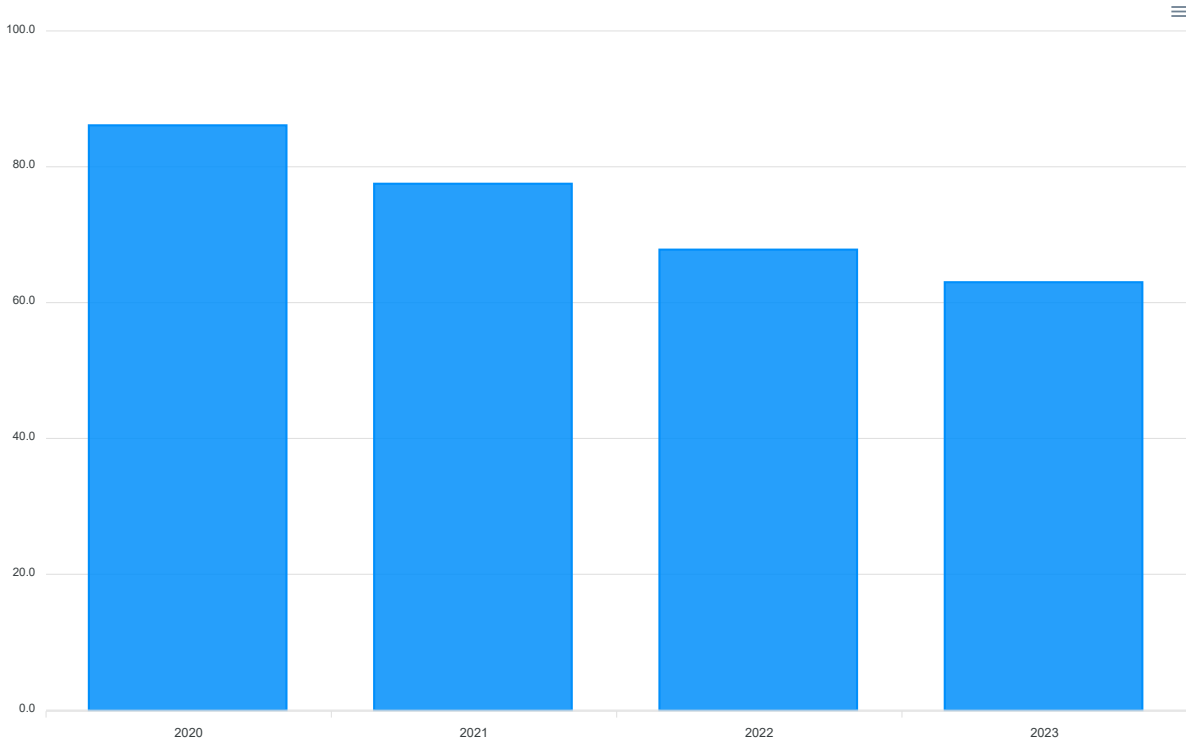
1 REPORTING OF EXCESSIVE GOVERNMENT DEFICIT AND DEBT LEVELS AND PROVISION OF ASSOCIATED DATA

	2020		2021		2022		2023	
	mln euro	%	mln euro	%	mln euro	%	mln euro	%
Gross domestic product at current market prices	50 973	100,0	58 850	100,0	68 373	100,0	76 472	100,0
Net borrowing (-)/net lending (+)								
General government	-3 687	-7,2	-1 486	-2,5	88	0,1	-528	-0,7
Central government	-3 163	-6,2	-1 540	-2,6	-408	-0,6	-1 002	-1,3
Local government	-484	-1,0	-159	-0,3	402	0,6	480	0,6
Social security funds	-39	-0,1	214	0,4	95	0,1	6	0,0
General government consolidated debt								
General government	43 882	86,1	45 629	77,5	46 346	67,8	48 191	63,0
General government expenditure								
Gross fixed capital formation	2 798	5,5	2 726	4,6	2 563	3,7	4 152	5,4
Interest (consolidated)	1 005	2,0	896	1,5	930	1,4	1 294	1,7

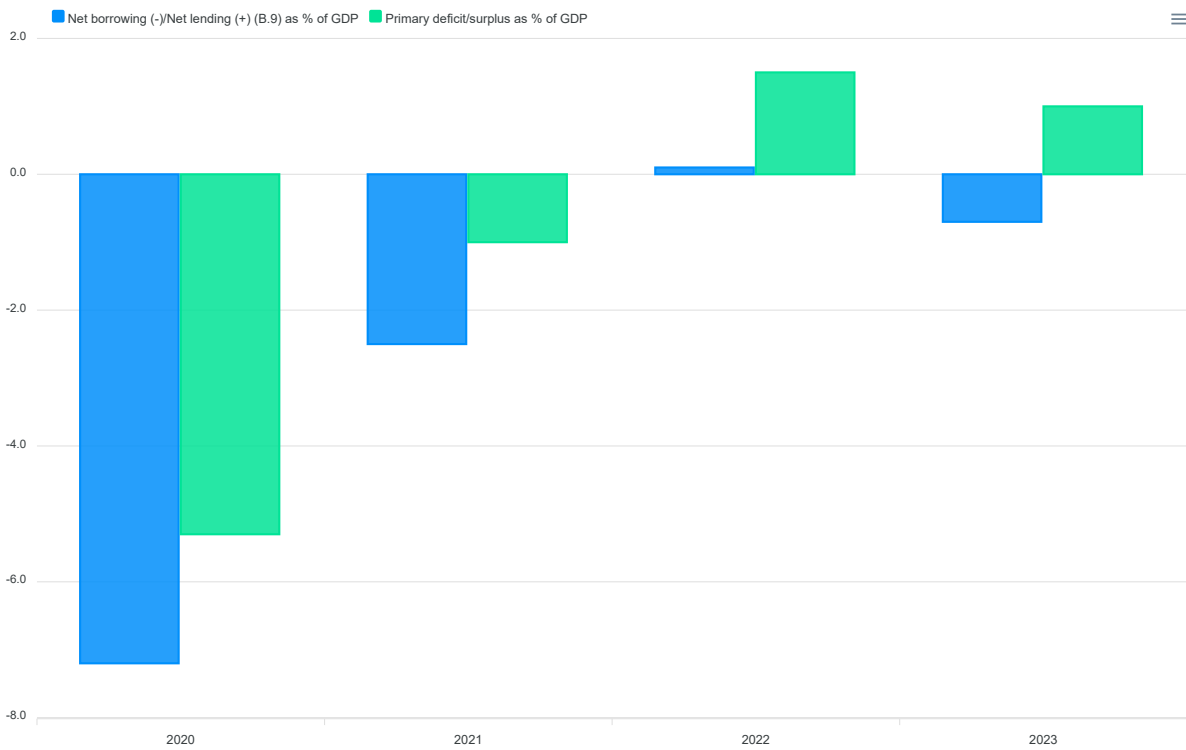
G-1 GENERAL GOVERNMENT DEFICIT/SURPLUS (B.9), 2020 – 2023



G-2 GENERAL GOVERNMENT CONSOLIDATED DEBT, 2020 – 2023



G-3 GENERAL GOVERNMENT PRIMARY DEFICIT, 2020 – 2023



2 COMPARISON OF APRIL 2024 NOTIFICATION WITH OCTOBER 2023 NOTIFICATION OF GOVERNMENT DEFICIT AND DEBT LEVELS

	2020		2021		2022		2023	
	mln euro	%	mln euro	%	mln euro	%	mln euro	%
Net borrowing (-) / Net lending (+) (B. 9)								
April 2024 Notification	-3 687	-7,2	-1 486	-2,5	88	0,1	- 528	-0,7
October 2023 Notification	-3 688	-7,2	-1 461	-2,5	76	0,1	-	-
Difference	1	0,0	-25	0,0	13	0,0	-	-
General government consolidated debt								
April 2024 Notification	43 882	86,1	45 629	77,5	46 346	67,8	48 191	63,0
October 2023 Notification	43 882	86,1	45 629	77,5	46 346	67,8	-	-
Difference	0	0,0	0	0,0	0	0,0	-	-

NOTES ON METHODOLOGY

Basic concepts and definitions

The general government sector (S.13) includes all institutional units that are other non-market producers, whose output is intended for individual and collective consumption and mainly financed by compulsory payments made by units belonging to other sectors and/or all institutional units principally engaged in the redistribution of national income and wealth.

The general government consists of three sub-sectors: the central government (S.1311), the local government (S.1313) and the social security funds sub-sector (S.1314). The central government comprises departments of government administration and other central government agencies, authorities and institutions whose jurisdiction covers the entire economic territory, apart from the administration of the social security funds sub-sector. It also includes non-profit institutions that are controlled and chiefly financed by the central government.

The central government in this EDP Report includes central government budgetary users, extra-budgetary users (the Croatian Waters, the Fund for Environmental Protection and Energy Efficiency, the Croatian Roads, the Croatian Privatization Fund until 31 March 2011, the Agency for Management of the Public Property until 30 September 2013, the Restructuring and Sale Centre and the State Property Management Administration as its legal successors) together with the State Agency for Deposit Insurance and Bank Resolution (since 2021 under the name Croatian Deposit Insurance Agency). In 2020, four public corporations, already previously classified in S.1311, also became extra-budgetary users: the Croatian Motorways Ltd. (HAC), the Motorway Rijeka – Zagreb (ARZ), the Croatian Railways Infrastructure (HŽI) and the Croatian Railways Passenger Transport (HŽPP). At the end of 2020, ARZ was incorporated into HAC.

The central government subsector includes also other public units, not part of the Register of budgetary and extra-budgetary users, classified into mentioned sector on the basis of ESA 2010 qualitative or quantitative criteria, e.g. government-controlled units that had failed the MNM test.

Examples of this group of units are the Croatian Radio-Television (HRT), the Croatian Bank for Reconstruction and Development (HBOR), the Croatian Energy Market Operator (HROTE), the Agency Alan, the Croatian Tourist Board, central government port authorities etc. Some units, initially classified in this status, became budgetary users in the meantime, e.g. the Croatian Energy Regulatory Agency (HERA), the Croatian Regulatory Authority for Network Industries (HAKOM) etc., while the central government port authorities have become budgetary users since 2021.

The local government subsector includes the total coverage of budgets of local units (the City of Zagreb, 20 counties, 127 cities and 428 municipalities) and their budgetary users (e.g. hospitals, schools, kindergartens). Besides that, S.1313, similar to other local government bodies, includes 20 extra-budgetary users of local and regional self-government units' budgets: county road authorities and other units outside the Register of Budgetary and Extra-Budgetary Users, classified into S.1313 according to the ESA 2010 qualitative or quantitative criteria, such as units in liquidation as well as other units controlled by local government that had failed the MNM test. Some examples of this set of units are development agencies, county port authorities, tourist boards, part of utility service companies, the Zagreb Electric Tram (ZET), etc.

The social security fund's sub-sector includes all public sector institutional units mainly engaged in administrating social insurance systems. Therefore, it consists of the Croatian Health Insurance Fund, the Croatian Institute for Pension Insurance and the Croatian Employment Service.

The government deficit (surplus) means the net borrowing/net lending (EDP B.9) of the general government sector (S.13) defined as a difference between a total revenue and a total expenditure.

According to the ESA 2010 methodology, no further adjustments are made in the treatment of the interest calculation of flows relating to swaps and forward rate agreements, which means that EDP B.9 is now aligned with B.9 according to the ESA 2010.

The general government debt is defined as gross debt nominal value at the year end. The debt refers to the units classified in the general government sector (S.13) according to the sector classification and consists of the following financial instruments: currency and deposits (AF.2), debt securities (AF.3) and loans (AF.4), as defined in the ESA 2010.

Abbreviations

COVID-19	COronaVirus Disease-19
EDP	excessive deficit procedure
ESA	European System of Accounts
Eurostat	Statistical Office of the European Union
GDP	gross domestic product
mln	million

Symbols

0	value not zero but less than 0.5 of the unit of measure used
0,0	value not zero but less than 0.05 of the unit of measure used

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